

Minutes are intended to note (a) the date, time and place of the meeting; (b) those members of the public body who were present and those who were absent; and (c) the substance of all matters proposed, discussed and/or action was taken on. Minutes are not intended to be a verbatim report of a meeting. An audiotape recording of the meeting is available for inspection by any member of the public interested in a verbatim report of the meeting. These minutes are not final until approved by the Board of Regents at the March 2016 meeting.

**BOARD OF REGENTS\* and its  
AUDIT COMMITTEE  
NEVADA SYSTEM OF HIGHER EDUCATION**

Student Union, Ballrooms B & C  
University of Nevada, Las Vegas  
4505 S. Maryland Parkway, Las Vegas  
Thursday, December 3, 2015

Video Conference Connection from the Meeting Site to:

System Administration, Reno  
2601 Enterprise Road, Conference Room

and

Great Basin College, Elko  
1500 College Parkway, Berg Hall Conference Room

Members Present:

Ms. Allison Stephens, Chair  
Dr. Andrea Anderson, Vice Chair  
Dr. Mark W. Doubrava  
Mr. James Dean Leavitt  
Mr. Sam Lieberman  
Mr. Kevin J. Page

Others Present:

Mr. Daniel J. Klaich, Chancellor  
Ms. Crystal Abba, Vice Chancellor, Academic and Student Affairs  
Dr. Constance Brooks, Vice Chancellor, Govt. and Community Affairs  
Mr. Dean J. Gould, Chief of Staff and Special Counsel to the Board of Regents  
Ms. Brooke Nielsen, Vice Chancellor, Legal Affairs  
Mr. Vic Redding, Vice Chancellor, Finance and Administration  
Mr. Joe Sunbury, Chief Internal Auditor  
Dr. Marcia Turner, Vice Chancellor, Health Sciences  
Mr. Frank Woodbeck, Executive Director, Nevada College Collaborative  
Dr. Steven Zink, Vice Chancellor, Information Technology  
Dr. Michael D. Richards, President, CSN  
Dr. Stephen G. Wells, President, DRI  
Dr. Mark A. Curtis, President, GBC  
Dr. Maria Sheehan, President, TMCC  
Dr. Len Jessup, President, UNLV  
Mr. Chet Burton, President, WNC

*For others present please see the attendance roster on file in the Board Office.*

Chair Allison Stephens called the meeting to order at 4:23 p.m. with all members present.

1. Information Only – Public Comment – None.

2. Approved – Consent Items - The Committee recommended approval of the consent items.
  - 2a. Approved – Minutes – The Committee recommended approval of the September 10, 2015, meeting minutes. (*Ref. A-2a on file in the Board Office.*)
  - 2b. Approved – Follow-Up: Host, UNR - The Committee recommended approval and acceptance of the follow-up response to the audit report of the University of Nevada, Reno (UNR) Host for the period July 1, 2013, through June 30, 2014. (*Ref. A-2b on file in the Board Office.*)
  - 2c. Approved – Follow-Up: Intercollegiate Athletics, UNR – The Committee recommended approval and acceptance of the follow-up response to the audit report of the UNR Intercollegiate Athletics for the period July 1, 2012, through May 31, 2014. (*Ref. A-2c on file in the Board Office.*)
  - 2d. Approved – Follow-Up: Network Security, NSHE System Computing Services – The Committee recommended approval and acceptance of the follow-up response to the audit report of the Nevada System of Higher Education (NSHE) System Computing Services Network Security for the period April 1, 2014, through December 1, 2014. (*Ref. A-2d on file in the Board Office.*)
  - 2e. Approved – Follow-Up: Bookstore Contract, NSC – The Committee recommended approval and acceptance of the follow-up response to the audit report of the Nevada State College (NSC) Bookstore Contract for the period April 1, 2013, through May 31, 2014. (*Ref. A-2e on file in the Board Office.*)
  - 2f. Approved – Follow-Up: Disability Resource Center, CSN – The Committee recommended approval and acceptance of the follow-up response to the audit report of the College of Southern Nevada (CSN) Disability Resource Center for the period July 1, 2013, through September 30, 2014. (*Ref. A-2f on file in the Board Office.*)
  - 2g. Approved – Follow-Up: Libraries, WNC – The Committee recommended approval and acceptance of the follow-up response to the audit report of the Western Nevada College (WNC) Libraries for the period July 1, 2013, through October 31, 2014. (*Ref. A-2g on file in the Board Office.*)
  - 2h. Approved – Follow-Up: Host, GBC – The Committee recommended approval and acceptance of the follow-up response to the audit report of the Great Basin College (GBC) Host for the period July 1, 2013, through June 30, 2014. (*Ref. A-2h on file in the Board Office.*)

Regent James Dean Leavitt moved approval of the consent items. Regent Kevin J. Page seconded. Motion carried.

3. Approved – Communications with Those Charged with Governance, NSHE - The Committee recommended approval of the report on Communications with Those Charged with Governance for the Nevada System of Higher Education for the year ended June 30, 2015. (*Ref. A-3 on file in the Board Office.*)

Ms. Kim McCormick, Grant Thornton audit partner, reviewed *Ref. A-3* highlighting responsibilities, accounting updates, audit scope and results, quality of accounting practices and alternative treatments, other matters and technical updates. Ms. McCormick reported the System was required to record the pension obligation as a

3. Approved – Communications with Those Charged with Governance, NSHE –  
(Continued)

liability, which has not been required in the past. The Student Financial Aid cluster, totaling approximately \$420.5 million, had nine findings, with four being repeat findings. Regent Page asked if the repeat findings were from the same institutions. Ms. McCormick stated the repeat findings were centered on multiple institutions. Regent Page asked if she knew how the System compares to other systems in regard to the number of financial aid findings. Ms. McCormick responded in her personal experience the number of findings continued to be high.

Regent Page stated he was concerned about the Student Financial Aid cluster. Chancellor Daniel J. Klaich noted regulations are getting tougher and concern is warranted. Regent Page asked if there was an opportunity to outsource the cluster. Chancellor Klaich did not believe it could be outsourced since financial aid reporting had to be certified by the president and financial aid officer of the respective institutions.

Ms. McCormick reported the Research and Development awards, Adult Education program, GearUp program and the Trade Adjustment Assistance Community College Career Training (TAACCCT) program received unmodified opinions.

Regent Page moved approval of the report on Communications with Those Charged with Governance, NSHE for the year ended June 30, 2015. Regent Sam Lieberman seconded. Motion carried.

4. Approved - OMB Circular A-133 Audit Report & Financial Statements, NSHE – The Committee recommended approval of the NSHE Office of Management and Budget (OMB) A-133 Audit Report and Financial Statements for the year ended June 30, 2015. (Ref. A-4 on file in the Board Office.)

Ms. McCormick stated *Ref. A-4* covers the NSHE Financial Statement and the OMB A-133 Audit Report. The management's discussion and analysis is a summary of the financial highlights of the organization. The Financial Statements Audit Report is clearly stated and received an unmodified opinion. The federal award section of the audit begins on page 156 and the nine findings are listed on page 157.

Regent Page asked if any of the institutions had the same findings as the previous year. Ms. McCormick noted findings three, four, six, and seven were repeat findings. The status of prior year findings is summarized beginning on page 187. Chair Stephens stated three were CSN repeat findings.

President Michael D. Richards stated CSN's one open item was the verification of the 2011-2012 year. CSN has worked with the Department of Education ("DOE") to reopen the file so it can be corrected. CSN completed all the DOE instructions on March 4, 2015. All reconciliations are complete and the DOE considers the matter closed. CSN hired ProEd Solutions to provide the verifications, which is the one part of financial aid that can be outsourced. Regent Page asked if there was a final number of what had to be paid and how does CSN know it was closed. President Richards stated CSN remitted \$1.3 million based on the DOE instructions and then received a communication stating the matter was closed. President Richards noted ProEd has started verification of subsequent year

4. Approved - OMB Circular A-133 Audit Report & Financial Statements, NSHE – (Continued)

Ms. Patty Charlton, senior vice president, stated the volume of CSN verifications is extremely significant. The verification process is the most complex DOE issuance. CSN continues to be diligent and continues to increase quality assurance measures.

Regent Page asked if CSN anticipates any additional DOE fines associated with the verification process. Ms. Charlton stated CSN did not anticipate any additional DOE fines for the 2011-2012 year. Regent Page asked for a report on how the amount of fines changed and where the money came from to pay the fines.

Chair Stephens asked for clarification if one of the repeat findings was an error on the part of ProEd Solutions. Ms. Charlton stated the error dealt with the accounting of the number of individuals in a household.

Regent Page moved approval of the NSHE Office of Management and Budget (OMB) A-133 Audit Report and Financial Statements for the year ended June 30, 2015. Regent Andrea Anderson seconded. Motion carried.

5. Approved – Communications with Those Charged with Governance, University of Nevada School of Medicine Integrated Clinical Services, Inc. – The Committee recommended approval of the report on Communications with Those Charged with Governance for the University of Nevada School of Medicine (UNSOM) Integrated Clinical Services, Inc. for the year ended June 30, 2015. (Ref. A-5 on file in the Board Office.)

Ms. McCormick reviewed *Ref. A-5* highlighting responsibilities, audit scope and results, quality of accounting practices and alternative treatments, other matters and technical updates. Ms. McCormick reported a recorded adjustment of \$460,000 related to a lease accounting issue and unrecorded adjustments totaling approximately \$60,000.

Regent Page moved approval of the report on Communications with Those Charged with Governance for the UNSOM Integrated Clinical Services, Inc. for the year ended June 30, 2015. Regent Leavitt seconded.

Chair Stephens stated the unrecorded adjustments totaled together are not a minimal amount and asked if it was standard to leave them unrecorded. Ms. McCormick stated in terms of the total organization's revenue and assets, Grant Thornton did not believe it was material financially. The majorities of the adjustments were related to lease issues and were not unique to 2015.

Motion carried.

6. Approved - OMB Circular A-133 Audit Report & Financial Statements, UNSOM Integrated Clinical Services, Inc. – The Committee recommended approval of the UNSOM Integrated Clinical Services, Inc. Office of Management and Budget (OMB) A-133 Audit Report and Financial Statements for the year ended June 30, 2015. (*Ref. A-6 on file in the Board Office.*)

Ms. McCormick reviewed *Ref. A-6* highlighting an unmodified opinion, management's discussion and analysis and no findings. The management's discussion and analysis is a summary of the financial highlights of the organization.

Regent Page moved approval of the UNSOM Integrated Clinical Services, Inc. Office of Management and Budget (OMB) A-133 Audit Report and Financial Statements for the year ended June 30, 2015. Regent Anderson seconded.

Regent Mark W. Doubrava asked Dean Thomas Schwenk to address the operating loss and why the numbers differed from what he previously reported. Dean Schwenk stated there was an accounting adjustment related to leases.

Motion carried.

(*Audit Summary on file in the Board Office.*)

Mr. Joe Sunbury, Chief Internal Auditor, reported the Audit Summary included a table which summarizes the following reports.

7. Approved – PeopleSoft Security, UNLV – The Committee recommended approval of the report and institutional response to the University of Nevada, Las Vegas (UNLV) PeopleSoft Security audit for the period March 1, 2015, through June 30, 2015. (*Ref. A-7 on file in the Board Office.*)

Mr. Sunbury reviewed the *Audit Summary* and *Ref. A-7* noting findings were consistent with prior institutions' audit findings.

Regent Leavitt moved approval of the report and institutional response to the UNLV PeopleSoft Security audit for the period March 1, 2015, through June 30, 2015. Regent Lieberman seconded.  
Motion carried.

8. Approved – University Libraries, UNLV – The Committee recommended approval of the report and institutional response to the UNLV University Libraries audit for the period July 1, 2013, through September 30, 2014. (*Ref. A-8 on file in the Board Office.*)

Mr. Sunbury reviewed the *Audit Summary* and *Ref. A-8* noting necessary account cleanup was recommended.

Regent Anderson moved approval of the report and institutional response to the UNLV University Libraries audit for the period July 1, 2013, through September 30, 2014. Regent Lieberman seconded.  
Motion carried.

9. Approved – Grants and Contracts, TMCC – The Committee recommended approval of the report and institutional response to the Truckee Meadows Community College (TMCC) Grants and Contracts audit for the period July 1, 2013, through June 30, 2014. (*Ref. A-9 on file in the Board Office.*)

Mr. Sunbury reviewed the *Audit Summary* and *Ref. A-9*. He noted there had been significant changes to OMB Uniform Guidance and his department has spent a tremendous amount of time to make sure they understood the changes. He hoped to see those benefits in future audits.

Regent Page moved approval of the report and institutional response to the TMCC Grants and Contracts audit for the period July 1, 2013, through June 30, 2014. Regent Doubrava seconded. Motion carried.

10. Approved – Vending Services, TMCC – The Committee recommended approval of the TMCC Vending Services audit for the period July 1, 2013, through March 31, 2015. (*Ref. A-10 on file in the Board Office.*)

Mr. Sunbury reviewed the *Audit Summary* and *Ref. A-10* noting standard findings in which vending services can make internal improvements.

Regent Lieberman moved approval of the report and institutional response to the TMCC Vending Services audit for the period July 1, 2013, through March 31, 2015. Regent Anderson seconded. Motion carried.

11. Approved – Early Childhood Education Lab Program, CSN – The Committee recommended approval of the report and institutional response to the CSN Early Childhood Education Lab Program audit for the period July 1, 2013, through December 31, 2014. (*Ref. A-11 on file in the Board Office.*)

Mr. Sunbury reviewed the *Audit Summary* and *Ref. A-11* noting no significant deficiencies.

Regent Page moved approval of the report and institutional response to the CSN Early Childhood Education Lab Program audit for the period July 1, 2013, through December 31, 2014. Regent Lieberman seconded.

Regent Lieberman asked if the findings were first-time findings. Mr. Sunbury believed they were first-time findings because it had been several years since the last audit.

Motion carried.

12. Approved – Information Technology Master Plan, UNLV – The Committee recommended approval of the UNLV Information Technology Master Plan update. (*Ref. A-12 on file in the Board Office.*)

Ms. Lori Temple, UNLV vice provost, reviewed *Ref. A-12* highlighting the risk assessment has been started, the software has been purchased, the hardware has

12. Approved – Information Technology Master Plan, UNLV – (Continued)

been procured and UNLV is currently waiting for the vendor to make final updates to the software.

Regent Anderson moved approval of the UNLV Information Technology Master Plan update.  
Regent Lieberman seconded.

Chair Stephens requested all Regents receive a copy of the finalized UNLV Information Technology Master Plan.

Motion carried.

13. Information Only – Internal Audit Departmental Updates and Emerging Risks, NSHE –  
The Committee heard an update involving departmental initiatives and updates to the risk assessment process stemming from the recent Quality Assurance Review. (*Ref. A-13 on file in the Board Office.*)

Mr. Sunbury reviewed *Ref. A-13* covering topics including management input into the audit universe, and audit risk factors. Mr. Sunbury requested a standing agenda item to discuss any items the Audit Department may identify as potential emerging risks in the future.

Regent Page asked processes be put in place to prevent a data breach or, if a data breach occurs, what mechanisms are needed to mitigate it as well as notify the community of the breach. Chancellor Klaich stated the System Office has looked into data breaches but because it is such a large area, it was determined the System Office would begin with personal and health history data breaches. The System is determining where the information is kept at the institutions and what policies are currently in place to protect this type of information. Regent Page was interested in knowing how many servers were at the institutions with this type of information. Vice Chancellor Brooke Nielsen added the System does have an insurance policy in place for breaches of personal health information. The policy is being reviewed to make sure it is adequate. Once the answer is obtained related to the insurance policy the System will explore employee and student information and how to adequately protect it.

Chair Stephens acknowledged how hard Mr. Sunbury and the Audit Department were working on this review of policies and procedures.

14. Information Only – New Business – Chair Stephens noted she had the following:

- A full report on the CSN financial aid resolution information to include the estimated amount to be repaid versus the actual amount and the sources of funding used.
- Progress on data breach policies.

15. Information Only – Public Comment – None.

The meeting adjourned at 5:16 p.m.

Prepared by:

Angela R. Palmer  
Special Assistant and Coordinator  
to the Board of Regents

Submitted for approval by:

Dean J. Gould  
Chief of Staff and Special Counsel  
to the Board of Regents